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Message Text

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42
ACTION NEA-09

INFO OCT-01 ISO-00 ERDA-05 AID-05 CEA-01 CIAE-00 CIEP-01

COME-00 DODE-00 EB-07 FEAE-00 FPC-01 H-02 INR-07

INT-05 L-02 NSAE-00 NSC-05 OMB-01 PM-03 SAM-01 OES-03

SP-02 SS-15 STR-01 TRSE-00 FRB-03 FTC-01 PA-01 PRS-01

USIA-06 XMB-02 /091 W
---------- 099537
R 180755Z MAR 75
FM AMEMBASSY ABU DHABI
TO AMEMBASSY TEHRAN
INFO SECSTATE WASHDC 2715

C O N F I D E N T I A L ABU DHABI 0596

E.O. 11652: GDS
TAGS: ENRG, TC, IR
SUBJ: SHARHAH-IRAN TALKS, CRESCENT DEVELOPMENTS

REF: TEHRAN 2359

1. AS IT HAPPENED, JAFAR ASKED FOR APPOINTMENT WITH AMBASSADOR DAY AFTER RECEIPT REFTEL, WHICH GAVE US CHANCE TO QUERY HIM ABOUT RECENT DISCUSSIONS IN TEHRAN.

2. HE SAID TWO TRIPS HAD BEEN MADE AT INSISTENCE OF NIOC WHICH FEELS THAT TERMS UNDER WHICH CRESCENT IS PRODUCING (55 PERCENT TAX, 12 1/2 PERCENT ROYALTY, AND NO GOVERNMENT PARTICIPATION) ARE TOO GENEROUS AND SHOULD BE REVISED TO GIVE GREATER GOVERNMENT TAKE. IN CONTRAST, JAFAR CLAIMS COMPANY UNDER NO SIMILAR PRESSURE FROM SHAIKH SULTAN OF SHARJAH WHO UP TO NOW HAS ACCEPTED CRESCENT POSITION-- THAT WITH LOW LEVEL OF PRODUCTION (CURRENTLY 45,000 BBLS/DAY), AND WITH HIGH OFF-SHORE CAPITAL INVESTMENT AND OPERATING COSTS, PROFIT MARGINS UNDER PRESENT AGREEMENT TERMS ARE JUSTIFIED. ON FIRST TRIP LAST MONTH, ACCORDING TOJAFAR, NIOC HAD NOT DONE ITS HOMEWORK NECESSITATING FURTHER TRIP THIS MONTH. WITH SHARJAH DELEGATION
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(HEADED BY SHAIKH SULTAN'S COUSIN) NIOC REPORTEDLY URGED PROPOSITION

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THAT CONCESSION SHOULD BE REVISED TO REFLECT OPEC "ADVANCES", TAKING POSITION THAT ONCE THIS ACHIEVED SPECIAL ALLOWANCES COULD BE CONSIDERED WHICH WOULD TAKE INTO ACCOUNT CRESCENT'S SPECIAL CIRCUMSTANCES. JAFAR BELIEVES SHARJANS WERE NOT PARTICULARLY IMPRESSED BY NIOC ARGUMENTS. HOWEVER, HE ACKNOWLEDGES SHAIKH SULTAN FEELS HIMSELF UNDER SOME MEASURE OF PRESSURE FROM NIOC AND THAT HE HAS NOT GIVEN CRESCENT HIS FINAL WORD ON SUBJECT. HE HAS UNDERTAKEN TO DO SO SHORTLY AFTER HE RETURNS IN EARLY APRIL FROM TRIP TO EUROPE. JAFAR MAKES POINT THAT ABU DHABI AUTHORITIES HAVE AGREED TO CONTINUE TO OPERATE ITS SMALL FIELDS COMPARABLE IN PRODUCTION TO SHARJAH ON 55 PERCENT TAX, 12 1/2 PERCENT ROYALTY, NO PARTICIPATION REGIME. THIS IS TRUE, AND WILL BE ARGUMENT IN CRESCENT'S FAVOR WITH SHAIKH SULTAN.

3. JAFAR SAID REDUCTION IN PRODUCTION FROM EARLIER 60,000 TO PRESENT 45,000 B/D IN CRESCENT FIELD HAD BEEN CAUSED BY MOVEMENT OF SALT STRATUM WHICH HAD SHEERED OFF CASING OF ONE WELL, LEAVING ONLY TWO WELLS IN FIELD PRODUCING AT FULL BORE. OTHERWISE JAFAR CLAIMED COMPANY OPERATIONS WERE PROCEEDING SATISFACTORILY, EXCEPT FOR FACT THAT UNCERTAINTIES ABOUT CONCESSION TERMS HAD CAUSED SOME OF OWNERS TO DRAG THEIR FEET WITH CAPITAL NEEDED FOR DRILLING PROGRAM TO INCREASE PRODUCTION.
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Message Attributes

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Draft Date: 18 MAR 1975
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Decaption Note:
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Disposition Authority: GarlanWA
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